

## Message Text

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PAGE 01 MOSCOW 10235 101350Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04

NSAE-00 SIL-01 /036 W

-----059948 101740Z /75

R 101334Z MAY 78  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 1490

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E.O.11652:N/A  
TAGS: ELAB, UR  
SUBJECT: MATERIAL INCENTIVES TO ENCOURAGE MODERNIZATION OF  
THE ECONOMY

SUMMARY. NEWLY APPROVED REGULATION INCREASES REWARDS FOR  
INNOVATIONS NEEDED BY THE ECONOMY (AS ENVISAGED BY THE  
STATE PLAN) AND FOR SHORTENING THE TIME USED IN PUTTING  
THEM INTO USE. MATERIAL INCENTIVES ARE INCREASED -- AT  
SOME EXPENSE TO THE BONUS FOR SIMPLY FULFILLING THE OUTPUT  
TARGET -- AND SOME INDUSTRIES ARE FAVORED BY HIGHER  
MAXIMUMS. END SUMMARY.

1. SOTSIALISTICHESKAYA INDUSTRIYA MAY 4 ANNOUNCED THAT  
THE STATE COMMITTEE ON LABOR AND WAGES AND THE ALL-UNION  
CENTRAL COUNCIL OF TRADE UNIONS HAD APPROVED (UTVERDILI)  
THE "TIPOVOE" REGULATION ON AWARDING PREMIUMS TO WORKERS  
OF RESEARCH, DESIGN AND TECHNOLOGY  
ORGANIZATIONS, PRODUCTION ASSOCIATIONS, AND ENTERPRISES  
WHICH ARE TRANSFERRED TO A NEW SYSTEM OF PLANNING,  
FINANCING AND ECONOMICALLY STIMULATING WORK ON NEW  
TECHNIQUES. ACCORDING TO THE ARTICLE, THE REGULATION AIMS  
AT STRENGTHENING THE MATERIAL INCENTIVE OF THE DESIGNATED  
CATEGORIES OF WORKERS IN RAISING THE EFFECTIVENESS AND  
QUALITY OF SCIENTIFIC RESEARCH AND AT REDUCING THE PERIOD  
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PAGE 02 MOSCOW 10235 101350Z

NEEDED TO INTRODUCE THE NEW TECHNIQUES AND SCIENTIFIC  
ORGANIZATION OF LABOR. ACCORDING TO THE REGULATION, THE  
FUNDS FOR THE MATERIAL INCENTIVES ARE TO COME FROM  
THE MATERIAL ENCOURAGEMENT FUND (FOND MATERIAL'NOE  
POOSHCHRENIE) AND -- IN WHAT MAY BE AN IMPORTANT CHANGE --  
ALSO PARTLY FROM THE PLANT'S FUNDS THAT ARE DESIGNATED FOR  
REWARDING THE AHIEVING OF BASIC TARGETS AND FOR FULFILLMENT

OF PARTICULARLY IMPORTANT PRODUCTION TASKS.

2. THE REGULATION PLACES A SERIES OF LIMITS ON THE MATERIAL INCENTIVE. THE MATERIAL INCENTIVE IS BASED ON THE REAL ECONOMIC EFFECT OBTAINED BY USE OF THE TECHNIQUE. THE MAXIMUM REWARD IN ANY YEAR IS SIX-MONTHS' WAGES -- FOR A WORKER IN AN ORGANIZATION OR ENTERPRISE OF THE CHEMICAL, PETROLEUM PROCESSING, PETRO-CHEMICAL, MACHINE-BUILDING, AND METAL-WORKING INDUSTRIES. EXCEPT FOR A PARTICULARLY IMPORTANT TECHNIQUE, FOR THE REMAINING INDUSTRIES THE MAXIMUM IS THREE-MONTHS' WAGES. THE REGULATION ALSO LIMITS THE GRANTING OF MATERIAL INCENTIVES TO THOSE TECHNIQUES, PROCESSES, ETC., WHICH WERE ENVISAGED IN THE STATE PLAN AND THE PLANS FOR NEW TECHNIQUES OF THE MINISTRIES, DEPARTMENTS, ALL-UNION AND REPUBLIC INDUSTRIAL ASSOCIATIONS, ORGANIZATIONS AND ENTERPRISES, FOR THE REALIZATION OF WHICH FUNDS HAVE BEEN ALLOCATED IN THE MATERIAL ENCOURAGEMENT FUND.

3. THE REGULATION ENUMERATES THE ACHIEVEMENTS FOR WHICH THE PREMIUM WILL BE AWARDED. THESE INCLUDE: (1) SCIENTIFIC RESEARCH THAT DISCOVERS NEW, MORE PROGRESSIVE DIRECTIONS IN SCIENCE AND TECHNOLOGY, PRINCIPALLY NEW TECHNICAL SOLUTIONS, MAKING A STRONG CONTRIBUTION TO THE ECONOMY; (2) THE WORKING-OUT AND INSTALLATION OF HIGHLY-PRODUCTIVE TECHNOLOGICAL PROCESSES LIMITED OFFICIAL USE

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PAGE 03 MOSCOW 10235 101350Z

THAT SECURE THE GROWTH OF LABOR PRODUCTIVITY, IMPROVE THE QUALITY OF PRODUCTION AND LOWER THE EXPENDITURE OF RESOURCES ON PRODUCTION, AND ALSO THE CREATION AND INSTALLATION OF LOW-WASTE TECHNICAL PROCESSES AND SCHEMES, AND (3) THE PUTTING INTO PRODUCTION OF MACHINES, EQUIPMENT, INSTRUMENTS, MATERIALS AND PROGRESSIVE TECHNOLOGICAL PROCESSES UNDER FOREIGN LICENSES.

4. COMMENT: RECALLING NOTHING PREVIOUSLY ON THE "TIPOVOE" REGULATION, EMBASSY IS STRUCK BY THE FACT THAT CONSIDERABLE MATERIAL INCENTIVES WILL NOW BE AVAILABLE TO REWARD (A) INNOVATIONS THAT HAVE REAL ECONOMIC EFFECTS, (B) INNOVATIONS IN AREAS DEEMED IMPORTANT IN THE ECONOMIC PLANS, AND (C) SHORTENING THE PERIOD BETWEEN THE INNOVATION AND ITS ACTUAL USE. PREVIOUS BONUS FUNDS HAVE NOT, TO OUR KNOWLEDGE, STRESSED SO HEAVILY THE INTRODUCTION OF TECHNOLOGY, PROCESSES AND MANAGEMENT TECHNIQUES DESIGNED TO IMPROVE PRODUCTION, PRODUCTIVITY, EFFICIENCY, AND NEW PRODUCTS. MOREOVER, EMBASSY NOTES THAT THESE BONUSES WILL APPARENTLY COME AT SOME EXPENSE TO BONUSES HERETOFORE AWARDED SIMPLY FOR FULFILLMENT OF PRODUCTION TARGETS.

5. EMBASSY IS ALSO STRUCK BY THE DIFFERENTIATION BETWEEN CERTAIN INDUSTRIES -- CHEMICAL, PETROLEUM PROCESSING, PETRO-CHEMICAL, MACHINE-BUILDING, AND METAL-WORKING -- AND THE REMAINING INDUSTRIES. WHILE THE FORMER ARE CERTAINLY IMPORTANT FOR THE OVERALL PERFORMANCE OF THE SOVIET ECONOMY, EMBASSY IS SURPRISED THAT OTHER KEY SECTORS, SUCH AS ENERGY, WERE NOT INCLUDED. TOON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INCENTIVES, ECONOMIC PROGRAMS, ECONOMIC TRENDS  
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**Draft Date:** 10 may 1978  
**Decapton Date:** 01 jan 1960  
**Decapton Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Disposition Reason:**  
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**Document Number:** 1978MOSCOW10235  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Status:** NATIVE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014